

VZCZCXRO9553
PP RUEHDBU RUEHFL RUEHKW RUEHLA RUEHROV RUEHSR
DE RUEHBS #1306/01 1081622
ZNY CCCCC ZZH
P 181622Z APR 07
FM USEU BRUSSELS
TO RUEHC/SECSTATE WASHDC PRIORITY
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 001306

SIPDIS

NOFORN
SIPDIS

E.O. 12958: DECL: 04/18/2017
TAGS: [PREL](#) [EUN](#) [CY](#) [TU](#)
SUBJECT: LOW EXPECTATIONS FOR GERMAN-LED TALKS ON DIRECT
TRADE FOR N. CYPRUS

Classified By: ENLARGEMENT UNIT CHIEF VINCENT CARVER FOR REASONS 1.5 (B
/D).

SUMMARY

- - - - -

¶1. (C/NF) Without disclosing details, the German Mission told us April 18 that German talks April 17 with northern Cypriot advisor Pertev on direct trade provided no breakthrough. The German and British missions and the Commission Office for northern Cyprus have told us separately that they doubt a deal on direct trade will be reached during the German Presidency. All three contacts claimed that the lack of movement on direct trade would not negatively affect Turkish accession negotiations on "technical" chapters -- at least not this year. Greek Cypriot advisor Tzionis meets with the Germans in Brussels April 24. END SUMMARY

GERMAN TALKS WITH PERTEV LITTLE NEW

- - - - -

¶2. (C/NF) The German Mission is keeping details of the talks it is brokering on direct trade with northern Cyprus very close hold. Nevertheless, the German Mission told us April 18 that it is quietly trying to persuade the Greek Cypriots and the Turkish Cypriots to find enough room to compromise and open Famagusta for direct trade. In this regard the German MFA Director for European Affairs met northern Cypriot advisor Pertev in Brussels April 17. Commission officials participated in parts of the discussion devoted to technical issues.

¶3. (C/NF) According to our German contact, Pertev had little new to offer: he stressed that if no deal were to be reached during Germany's presidency, Talat might "abandon" the EU track. Pertev also stressed the need for Turkish Cypriot entrepreneurs to compete on an equal footing with Greek Cypriot ones should any contracts be awarded as the result of a possible deal. In addition, Pertev emphasized that the Greek Cypriots should have no say in implementing details, such as certification, should a deal be reached. Finally, Pertev complained that the Turkish Cypriots were learning of Greek Cypriot counter-proposals (NFI) only through third parties, rather than directly from Nicosia. Asked what the Germans' next step would be, our contact said that Papadopoulos' diplomatic advisor, Tasos Tzionis, would come to Brussels April 24 for talks.

IF GERMANY CAN'T DELIVER, LITTLE PROSPECT FOR PROGRESS IN
COMING YEAR

- - - - -
- - - - -

¶4. (C/NF) Our German source acknowledged that expectations for a breakthrough were low. Berlin, however, will continue to try to move the parties closer together, in part because

it does not see the upcoming Portuguese and Slovenian presidencies as placing much emphasis on resolving the direct trade issue. Our German contact reiterated his observation from the previous week -- no member state wants to expend the political capital to press Nicosia to live up to its December 2006 and January 2007 commitments to allow for direct trade.

BUT TURKISH ACCESSION NEGOTIATIONS SHOULDN'T BE HARMED ...
MAYBE

- - - - -
- -

15. (C/NF) A Commission official dealing with northern Cyprus and a UKEU contact confirmed this. Our Commission source said that Nicosia is playing hardball on direct trade while trying to be slightly more flexible on the Gambari process and CSBMs, such as crossing points access. Nicosia has also largely refrained from stalling the Turkish chapter negotiations (confirmed by our German and UK contacts, both of whom predicted that two or three more chapters (financial controls, economic and monetary policy, and statistics) might be opened in June.

16. (C/NF) Pushing Nicosia on direct trade could lead to both a collapse of the German-led talks and to an even tougher Cypriot line on opening additional chapters for Turkey, our British colleague underscored. He added that, in his personal view, the best policy would be to promote progress in Turkey's "technical" chapter negotiations while keeping Papadopoulos and Talat talking indirectly on direct trade. According to our British contact, this is probably the most one can hope for given the Turkish presidential and parliamentary elections, as well as the Cypriot elections next year. He concluded that, if the Turks genuinely begin to implement their recently announced action plan (which none

BRUSSELS 00001306 002 OF 002

of our contacts had yet seen) for EU integration, so much the better for moving forward in 2008.

COMMENT
- - - - -

17. (C/NF) While our contacts are not optimistic that the German-led talks will succeed, they are more sanguine that Turkish accession negotiations will not stall -- at least not this year -- as a result. The great unknown appears to be how hard Nicosia may push for the introduction of "normalization" (Turkish recognition of the ROC) as a condition for opening any more chapters, including even the technical ones that our contacts predicted might be opened in June. With neither the Germans nor the British apparently willing to face down the Greek Cypriots (and, as usual, probably a few other member states hiding behind the Cypriots as well) we hold little expectation that an agreement on direct trade will be reached during the German Presidency.
GRAY
.